

STATE OF IDAHO TAX UPDATE

VOLUME TWELVE – NUMBER ONE

JUNE 2000



This issue of TAX UPDATE explains some of the new tax laws passed by the 2000 Idaho Legislature. Watch for more news on other law changes in the September issue. If you have questions about the material here, or if you need more information, contact any Idaho State Tax Commission office listed on the back of this newsletter.

New Tax Laws

Filing Requirements Reduced for Some Businesses

Idaho income tax returns will no longer be required for trusts and estates that are not required to file a federal return. Also, an S-corporation or partnership that is not authorized to do business in Idaho and does no business here is no longer required to file an Idaho return merely

because it has a shareholder or partner living here.

Farmers who are not required to withhold federal income taxes from their employees will no longer be required to file Idaho withholding returns. (*House Bill 447, effective January 1, 2000.*)

Income Tax Rates Reduced for One Year

Taxpayers will receive a tax break on their year 2000 income tax return. Lawmakers reduced the Idaho income tax rates for individuals, trusts and estates one-tenth of 1 percent for a year.

The new law also provides for an "inflation" adjustment. Each year the tax tables in the income tax return instruction book-

lets will be adjusted so that inflation does not result in a tax increase to individuals, estates or trusts.

Plans are under way to adjust the Idaho withholding tables later this year. Until then, employers may continue to use the 1999 edition. (*House Bill 802, effective January 1, 2000.*)

Self-Employed Get Health Insurance Deduction



Self-employed individuals—including sole proprietors and partnership members—who buy health insurance for themselves, their spouses and children, may be able to claim an Idaho deduction for the portion of the cost that is not allowed on their federal income tax return next year.

The health insurance costs must qualify for the federal self-employment deduction in order to qualify for the new Idaho income tax deduction. The percentage of the costs that cannot be deducted on the federal return will now qualify for a deduction on the Idaho income tax return.

In most cases, the net effect will be to deduct 100 percent of the cost of the self-employment health insurance from the business owner's Idaho taxable income. (*House Bill 802, effective January 1, 2000.*)

Marriage Penalty Eliminated



When married couples file their Idaho income tax returns next year and check the ☒ *Married filing jointly* box, they will find that their standard deduction no longer contains a "marriage penalty."

Married couples filing jointly will now qualify for a standard deduction that equals twice that of a single person. This completes a two-year phase-in to eliminate the discrepancy dubbed the "marriage penalty," which causes married couples filing jointly to receive a lower standard deduction than single filers. (*House Bill 802, effective January 1, 2000.*)

MOVED? HAS YOUR ADDRESS CHANGED?

If so, please let us know. Write to: TAX UPDATE, Public Information Office, Idaho State Tax Commission, Box 36, Boise, ID 83722

Two Sales Tax Exemptions Added

Two organizations will be added to the list of health-related entities that are allowed by law to make all their purchases exempt from tax. They are:

- The Idaho Women's and Children's Alliance, and
- The Idaho Diabetes Youth Programs.

While Idaho law does not include a general sales tax exemption for nonprofit organizations, specific organizations are exempt from paying tax on their purchases. (They are listed in Idaho Code Section 63-3622-O.) However, these entities must collect and remit tax if they make retail sales. (H.B. 531 & 562, effective July 1, 2000.)

New Jobs Credit Reinstated for Some Businesses

Businesses that produce, assemble, fabricate, manufacture or process natural resource products will be allowed a \$500 credit against Idaho income tax for each additional employee hired starting January 1, 2000. The credit (similar to a credit repealed in 1996) cannot exceed 3.25 percent of the business' net income and, together with other credits, cannot exceed 45 percent of the tax due for the year. (House Bill 608, effective January 1, 2000.)



ITC Limits Raised, Carryforward Increased

Businesses claiming the 3 percent Idaho investment tax credit (ITC) on purchases of qualifying business assets can apply the credit against up to 50 percent of their tax liability next year, compared to 45 percent in the previous year. (House Bill 802, effective January 1, 2000.)

Lawmakers also extended the carryforward provisions of the investment tax credit, allowing a business 14 years—rather than seven years—to use its remaining credit. The new carryforward provision applies to new purchases of qualifying property, as well as any investment credit carryforward that did not reach the seven-year limit before January 1, 2000. (House Bill 800, effective January 1, 2000.)

Where To Get Information

If you would like to know more about Idaho state taxes, call the Idaho State Tax Commission toll free at **1-800-972-7660** or contact any of the offices listed below:

Boise

800 Park Blvd., Plaza IV
(208) 334-7660

Pocatello

611 Wilson St., Suite 5
(208) 236-6244

Twin Falls

1038 Blue Lakes Blvd. N, Suite C
(208) 736-3040

Coeur d'Alene

1910 Northwest Blvd.,
Suite 100
(208) 769-1500

Lewiston

1118 F Street
(208) 799-3491

Idaho Falls

150 Shoup Ave., Suite 16
(208) 525-7116



HEARING IMPAIRED CALLERS:

Use the Idaho Relay Service (1-800-377-3529) to reach any Tax Commission office listed above.

Costs associated with this publication are available from the Idaho State Tax Commission in accordance with Section 60-202, Idaho Code.

TAX UPDATE is published quarterly and mailed to all sales and use tax account holders with their tax return forms. Unless otherwise noted, information in TAX UPDATE applies only to Idaho taxes. This newsletter is designed to provide general information only, and is not intended to offer comprehensive explanations of Idaho tax laws and rules. Specific questions should be addressed to the nearest State Tax Commission office. Comments about TAX UPDATE and suggestions for future issues should be sent to:

TAX UPDATE Editor
Public Information Office
State Tax Commission
P.O. Box 36
Boise, ID 83722



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This issue of Tax Update deals mainly with:
NEW TAX LAWS

IDAHO STATE TAX COMMISSION

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